

# EXHIBIT 1

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 1:23-cv-9304
	)	
M/Y <i>AMADEA</i> ET AL.	)	SUBJECT TO PROTECTIVE
	)	ORDER
Defendant-in-rem.	)	
	)	

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**EXPERT REPORT OF ANDERS ASLUND**

**I. Background, Qualifications, and Compensation**

1. My name is Anders Aslund. I am a leading specialist on Eastern European economies, especially Russia and Ukraine. I have been fluent in Russian since 1973 and have worked on the Russian economy since then. I served as a Swedish diplomat in Moscow from 1984-87. I predicted the fall of the Soviet communist system in my book *Gorbachev's Struggle for Economic Reform* (Cornell UP, 1989). From 1991-94, I worked as one of the chief economic advisors to President Boris Yeltsin's reform government, and I concluded in my book *How Russia Became a Market Economy* (Brookings, 1995) that Russia had chosen to become a market economy. In my book *Russia's Capitalist Revolution* (Peterson Institute, 2007) I elaborated upon why Russia's market reform succeeded and why Russia failed to become a democracy. In my latest book, *Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy* (Yale UP 2019), I explain that Vladimir Putin has established an authoritarian kleptocracy in Russia.

2. I was a Professor of International Economics and the founding Director of the Stockholm Institute of Transition Economics at the Stockholm School of Economics from 1989-94. I have worked at the Kennan Institute for Advanced Russian Studies, the Woodrow Wilson International Center for Scholars, the Brookings Institution, the Peterson Institute for International Economics, and the Atlantic Council in Washington, DC. I served as the director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace, and I co-directed the Carnegie Moscow Center's project on Post-Soviet Economies, spending up to one-third of a year in Russia.

3. I have written sixteen books. In addition to those mentioned above, these include *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, the Caucasus and Central Asia* (Cambridge UP, 2007, 2013), and *Ukraine: What Went Wrong and How to Fix It* (Peterson Institute 2015). I have edited a further sixteen books and have published more than 1,400 articles, including in *Foreign Affairs*, *Foreign Policy*, *New York Times*, *Washington Post*, *Financial Times*, and *Wall Street Journal*. I have spent my life studying and considering Russia from a professional, external perspective, and I consider that I am qualified authoritatively to give my opinion on Russian affairs, including the activities and wealth of Russian oligarchs.

4. I received my doctorate from Oxford University, writing a dissertation on private enterprise in communist Poland and the German Democratic Republic. I am a Member of the Russian Academy of Natural Sciences. I am also Chairman of the Advisory Council of the Center for Social and Economic Research (CASE), Warsaw, and Chairman of the Board of International Advisors, Bank of Finland Institute of Transition. My native language is Swedish, and I am proficient in English, German, Russian, Polish, and French. I set out my curriculum vitae in Exhibit A. I have

given expert testimony in one case in the last four years, in *Kimberly-Clark v. Sibur*, a case in the Stockholm Arbitration Institute. I testified on behalf of Kimberly-Clark.

5. I have been retained as an expert witness by Plaintiff United States of America to provide my opinion on the estimated historical and current net worth of Russian businessman Eduard Khudainatov and the business activities that generated his wealth. I have also been asked to provide financial, business, and limited personal information about Russian citizens Suleiman Kerimov, Alisa Gadzhieva and Igor Sechin.

6. I understand that my primary and overriding duty is to the Court to provide my opinion truthfully and honestly. My evidence is independent, objective and unbiased, and I have no conflicts of interest.

7. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions that I express represent my true and complete view on the matters to which they refer.

8. In preparing this report, I have referred to the documents in Exhibit B.

9. I have prepared this expert report in the English language and confirm that I will give any live testimony in English, whether at deposition, evidentiary hearing, and/or trial.

10. I am being paid \$400 per hour for my time, plus expenses. My compensation is not dependent in any way on the outcome of these proceedings.

11. The main sources of my report are Russian business newspapers. The best of them was *Vedomosti*, which started as a joint venture of *Wall Street Journal* and *Financial Times* in 1999 and stayed in foreign ownership until 2015. I would deem this newspaper as reliable as its two owners. The second-best Russian business newspaper is *Forbes*, which used to be owned by

American *Forbes*, though it lost its independence in 2018.<sup>1</sup> The best Russian-owned business newspaper is *Kommersant*, which lost its political independence in 2006, but it has remained quite accurate on business stories. A similar source is Russian Business Consulting (RBC). These business newspapers are focused on business deals and impressively detailed and well sourced. They rarely discuss private matters, such as lifestyle, dwellings or means of transportation. I also use the news agency Interfax. Another group of credible sources are a few independent media outlets of remarkably high quality: *Moscow Times*, *Novaya gazeta*, *Proekt*, *The Bell*, and *Organized Crime and Corruption Reporting Project*. All these sources are of such high quality that it is rare to find any contradiction. Until recently, most Western sources have paid little attention to Mr. Khudainatov because of his limited significance, but American *Forbes* and British *Financial Times* have written quite a bit.

## **II. Who is Mr. Khudainatov?**

12. Mr. Khudainatov's career is well documented. He was born in Chimkent in Kazakhstan in 1960. After having finished school, he worked at a state farm in the Odesa region in Ukraine. From 1978-81, he served in the Soviet army. After his military service he moved to the oil fields in Western Siberia and became an installer in the company Yuganskneftegaz, which later became one of the biggest oil producing companies in Russia. From 1985, he worked as a loader and later as a foreman. Thus, he remained a blue-collar worker until 1989, but he was in the right place – Russia's best oil field.<sup>2</sup>

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<sup>1</sup> Elizaveta Osetinskaya, Forbes Russia Is Losing Its Independence. Should the World Care? *Moscow Times*, August 1, 2018. <https://www.themoscowtimes.com/2018/08/01/forbes-russia-losing-independence-should-world-care-a62399>

<sup>2</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

13. In 1989, Mr. Khudainatov became a businessman as so many others at this time of auguring capitalism. First, he managed a private farm. In 1993, he became vice president in the small joint stock oil company Evikhon in Nefteyugansk and then director of the joint stock company Evikhon-2, which dealt with wholesale trade and catering. In 1995-96, he became president of the firm Yuganskpromfinko, a retail shop, which went bankrupt in 1998, the year of Russia's big financial crash. All these firms appear to have been tiny. The jumping between different jobs and firms was typical of the early capitalism in Russia 1989-98. Mr. Khudainatov was not very successful, but he managed to keep afloat.<sup>3</sup>

14. In 1996, Mr. Khudainatov went into politics. These were free-wheeling times in Russian politics. He became leader of the Nefteyugansk section of the movement "Reforms," which was headed by the chairman of the Federation Council (the parliament's upper chamber) and former First Deputy Prime Minister Vladimir Shumeiko. It supported President Boris Yeltsin and may be characterized as centrist or opportunistic. Mr. Khudainatov became first deputy head of the administration of the Nefteyugansk *raion*. In December 1997, he was elected a member of the Tiumen regional duma and stayed on that post until 2001.<sup>4</sup>

15. In December 1999, Mr. Khudainatov was a candidate to the State Duma (the lower chamber of the Russian Parliament). This time he represented the ecological party

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<sup>3</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

<sup>4</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

“Cedar,” whose list he topped in the Tiumen region, but he failed to be elected to the State Duma.<sup>5</sup>

16. In parallel with his entrepreneurial, administrative and political endeavors, Mr. Khudainatov caught up with his missing academic studies. In 1996, he graduated from the commercial faculty from the International Academy of Entrepreneurship in Moscow, which was not considered a serious institution of higher education. In 2000, he completed law studies at the Tiumen State University, which was not a very highly considered university.<sup>6</sup> At that time, he was a senior state official in that region, and senior officials often received academic degrees without necessarily studying.

17. Mr. Khudainatov’s first career breakthrough came in 2000, when he led Putin’s electoral campaign in the Tiumen region. In August that year, he was awarded the order “For Services to the Fatherland,” Second Degree, which was an important official approval. A few months later he was appointed federal inspector of the presidential administration in the region.<sup>7</sup> This meant that he worked in the team of Mr. Viktor Cherkesov, a former senior KGB officer and then a close friend of Mr. Putin, who later fell out with Mr. Putin in October 2007, when he criticized colleagues publicly. For Mr. Khudainatov, this meant that he had established himself in the Putin team, though at a rather low level.

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<sup>5</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

<sup>6</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

<sup>7</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

18. Mr. Khudainatov appears to have been quite successful at identifying new business opportunities. In March 2003, he left state service at his own request and became the head of Severneftegazprom, an important subsidiary of the state-owned gas giant Gazprom in the Tiumen region. This was a great promotion, and it is reported to have been the decision of Mr. Alexander Rozanov, who was then a vice president of Gazprom. The two men knew one another from having served together in the Tiumen state administration. Before Mr. Khudainatov's appointment, they happened to sit beside one another on a plane, and apparently Mr. Khudainatov convinced Mr. Rozanov that he had the skills to develop the Southern Russkoe field finding. He did so fast in 2007, though the expenditures were twice as large as anticipated. Yet, whatever the reason, after this achievement he was effectively taken out of the company's management.<sup>8</sup>

19. Mr. Khudainatov's big career rise came in 2007, when the chairman of the board of directors of Rosneft, Mr. Igor Sechin, one of President Putin's closest collaborators, sought to replace Mr. Sergei Bogdanchikov, CEO of Rosneft since 1998. Mr. Bogdanchikov was considered to be a strong chief executive and an able oil man, but Mr. Sechin wanted his job. In the course of three years overseeing Rosneft from the Kremlin, Mr. Sechin sought to oust Mr. Bogdanchikov's loyalists in senior Rosneft positions and replace them with his own people. Mr. Khudainatov benefited from being one of Mr. Sechin's first new top-level hires. He had proven his skills by developing the Southern Russkoe field for Gazprom, and Mr. Sechin did not care about costs. Now Mr. Sechin tasked him with the development of the giant Vankor field and the construction of the oil pipeline from Vankor to Pure. By ably doing so, Mr. Khudainatov might have won Mr. Sechin's trust.

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<sup>8</sup> Varvara Pertsova, The Price of Independence: Why Eduard Khudainatov Is Selling his Shares in Rosneft, Forbes.ru, April 12, 2017.

20. Presumably, Mr. Khudainatov attracted the attention of Mr. Sechin even earlier because he engaged in the court case against the oil company Yukos, which Mr. Sechin had driven from 2003. Both Mr. Putin and Mr. Sechin wanted to cut down the Yukos main owner Mr. Mikhail Khodorkovsky and have him jailed, as they did, and Mr. Sechin wanted to take over the main Yukos assets to the benefit of Rosneft. In June 2007, Mr. Khudainatov testified against the head of security of Yukos, Mr. Alexei Pichugin, who still sits in jail in Russia and is considered Russia's longest serving political prisoner.<sup>9</sup> Presumably, this helps explain Mr. Sechin's uncommonly close friendship with Mr. Khudainatov.

21. In September 2008, Mr. Khudainatov became vice president of Rosneft; in January 2009 first vice president. In September 2010, Mr. Sechin ousted Mr. Bogdanchikov under coup-like circumstances and made Mr. Khudainatov President of Rosneft.<sup>10</sup>

22. A curious interlude is that in 2008, as a representative of Rosneft, Mr. Khudainatov became a member of the board of directors of Stroitransgaz, which was one of the main companies building pipelines for Gazprom.<sup>11</sup> In 2009, Mr. Gennady Timchenko, Putin's wealthiest St. Petersburg business associate, consolidated his control of Stroitransgaz. He was seen as a potential competitor to Mr. Sechin to seize control of Rosneft – Mr. Putin enjoyed seeing his underlings competing with one another. However, Mr. Timchenko never got close to getting hold of Rosneft, and Mr. Khudainatov appears to have proven his loyalty to Mr. Sechin.

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<sup>9</sup> Vladimir Kara-Murza, "For Russia's longest-serving political prisoner, it's 15 years and counting," *Washington Post*, June 18, 2018. <https://www.washingtonpost.com/news/democracy-post/wp/2018/06/19/for-russias-longest-serving-political-prisoner-its-15-years-and-counting/>

<sup>10</sup> Биография Эдуарда Худайнатова, владельца крупнейшей частной нефтегазовой компании России May 26, 2021. <https://bloknot-volzhsky.ru/news/biografiya-eduarda-hudaynatova-vladelca-krupneyshey-chastnoy-neftegazovoy-kompanii-rossii-1350001>

<sup>11</sup> Ibid.

23. In 2012, Mr. Khudainatov resigned as president of Rosneft, passing on that post to Mr. Sechin, who was then allowed by Mr. Putin to leave his job as deputy prime minister in Putin's administration. Mr. Khudainatov was demoted to first deputy president, and in July 2013 he left Rosneft voluntarily on good terms with the powerful chief executive Mr. Sechin to start his own oil business. He set up that business, Independent Oil Company (NNK), which expanded by purchasing assets in 2013-14.<sup>12</sup> *Forbes* reported that Mr. Khudainatov, "after reportedly receiving approval from Putin – embarked on his new adventure at NNK."<sup>13</sup>

24. In June 2017, the United States sanctioned Mr. Khudainatov, his main company NNK and its subsidiary "NNK-Primorsknefteprodukt" for trading with North Korea.<sup>14</sup> Mr. Khudainatov and NNK fought hard to be relieved from these sanctions,<sup>15</sup> and they succeeded in 2020.

25. On June 3, 2022, the European Union sanctioned Mr. Khudainatov for having worked for Russian state-owned companies.<sup>16</sup> Ukraine also sanctioned him and his companies. In February 2024, Ukraine's High Anti-Corruption Court nationalized an oil trader, "Alliance-Ukraine Oil Company," with assets valued at \$13 million, belonging to Mr. Khudainatov. "Khudainatov reportedly controlled the oil trader through several offshore companies to avoid nationalization."<sup>17</sup>

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<sup>12</sup> Ibid.

<sup>13</sup> Giacomo Tognini, "Meet the Russian Billionaire Who's the Proxy Owner of Putin's \$500 Million Yacht," *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

<sup>14</sup> The Ministry of Finance of the USA imposed sanctions on three Russian companies for links with the DPRK, Interfax, June 1, 2017. <https://www.interfax.ru/world/564893>

<sup>15</sup> NNK asked the US to end the sanctions, *Kommersant*, February 18, 2018. <https://www.kommersant.ru/doc/3550804>

<sup>16</sup> The European Union sanctioned Eduard Khudainatov, former head of 'Rosneft,' Interfax, June 3, 2022. <https://www.interfax.ru/business/844585>

<sup>17</sup> Rachel Amran, Ukraine nationalizes Russian oligarch's oil, gas assets, *Kyiv Independent*, February 6, 2024.

### **III. The Development of Khudainatov's Wealth**

26. Mr. Khudainatov has never appeared on the *Forbes* list of Russian billionaires (*i.e.*, having a net worth of at least one billion U.S. dollars). Since 2008, their number has hovered around 100, largely dependent on the ruble exchange rate and the global commodity prices. In March 2022, they were 83, in 2023 *Forbes* counted 105, and in 2024 they were 125.<sup>18</sup>

27. In 1999, Mr. Khudainatov was compelled to declare his income for 1998 and his assets as a candidate to the State Duma. At this time, such declarations were taken quite seriously and therefore appear credible. He declared an annual income of 260,000 rubles in 1998. At the end of 1998, the ruble exchange rate was RUB20.65=\$1, so this amounted to \$12,591. He declared his ownership of two apartments in the Khanty-Mansiisk region, where he lived, with a total area of 120 square meters and also an apartment of 149 square meters in Moscow.<sup>19</sup> After the Russian financial collapse of August 1998, half of all Russian banks closed and bank assets were inflated away, so Mr. Khudainatov is unlikely to have held any significant monetary assets at this time.

28. The great enrichment of Russia's private businessmen occurred in the period 1999-2008, when Russia's real growth was 7 percent a year for a whole decade and Russia's GDP measured in US dollars multiplied nine times from \$210 billion in 1999 to \$1.8 trillion in 2008. Since then, Russia's GDP measured in US dollars has hovered around the same level. It

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<https://kyivindependent.com/ukraine-nationalizes-oil-and-gas-assets-of-russian-oligarch/>

<sup>18</sup> List of Russian Billionaires, *Forbes*, 2023.  
<https://www.forbes.com/search/?q=Russian+billionaires&sh=790f6fb3279f>

<sup>19</sup> List of Incomes for 1998 and Property of Registered Candidates... *Kommersant*, December 3, 1999; Lentapedia/Khudainatov, Eduard, September 16, 2019; <https://www.statista.com/statistics/1200710/rub-usd-exchange-rate-russia/>

was \$1.9 trillion in 2023.<sup>20</sup> Mr. Khudainatov missed that rise. He was merely a senior manager of two different state-owned companies (Severneftegazprom and Rosneft) during those high-growth years, and not a top executive or an independent business owner.

29. An article in *Vedomosti* dated June 29, 2011 detailed Mr. Khudainatov's purchases of Rosneft shares. In September 2010, soon after having been appointed president of Rosneft, Mr. Khudainatov bought his first stocks in Rosneft – 0.0028% of its shares then worth \$1.9 million. He continued buying Rosneft shares and in June 2011 he had accumulated 0.0483% worth \$42.3 million. He had been able to buy so many shares thanks to credits on preferential terms from a friendly state-owned bank. *Vedomosti* pointed out that Mr. Khudainatov held shares in his state-owned company worth more than the chief executives of the much bigger state companies VTB, Gazprom or EES.<sup>21</sup>

30. Mr. Khudainatov's claim that his sale of his Rosneft shares in 2013 netted him \$100 million<sup>22</sup> is implausible though not altogether impossible. In this period, the Rosneft share price fluctuated in a narrow range around \$200 a share, so no significant rise over \$42 million appears plausible.<sup>23</sup>

31. In 2012, Mr. Khudainatov left his post as President of Rosneft to Mr. Sechin. Mr. Sechin, who is reputed to be widely disliked, has remained the benefactor of Mr. Khudainatov. He let Mr. Khudainatov stay as First Vice President, but in August 2013 Mr. Khudainatov resigned on friendly terms with Mr. Sechin and opted for setting up his own oil company, the

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<sup>20</sup> International Monetary Fund, World Economic Outlook database, October 2023 (downloaded on April 3, 2024). <https://www.imf.org/en/Publications/WEO/weo-database/2023/October>.

<sup>21</sup> Oksana Gavshina and Roman Shleinov, "The President of 'Rosneft' Eduard Khudainatov Continues to Purchase Shares in His Company," *Vedomosti*, June 29, 2011.

<sup>22</sup> Paragraph 6 of his June 13, 2024 Declaration (Dkt. 126).

<sup>23</sup> Rosneft Oil Company, *Market Insider*, <https://markets.businessinsider.com/stocks/rnftf-stock> (Accessed on June 23, 2024).

Independent Oil and Gas Company, known as NNK. In July 2013, Mr. Khudainatov met with President Putin, who approved of the creation of his new company.<sup>24</sup> Mr. Khudainatov started by buying up undeveloped small oil and gas fields. The first two fields that he bought immediately after his departure from Rosneft were assessed at \$500 million.<sup>25</sup> *Kommersant* noted that he must have borrowed this money. It quoted a top manager who knew him: “Eduard Khudainatov is of course not a poor man, but he could still not create the company with his own money.”<sup>26</sup>

32. At this time, no independent businessman, Russian or foreign, could buy Russian oil or gas fields. Close connection with the Kremlin was necessary. That Mr. Khudainatov could do so shows the extraordinary protection he enjoyed from Mr. Sechin, who controlled Rosneft and was one of Mr. Putin’s top protégés.

33. In 2012, Mr. Khudainatov and his brother Zhan came under investigation in Latvia for fraud, because they defaulted on loans from the Latvian Parex Bank totaling \$78 million. Mr. Khudainatov and Zhan had purchased the underdeveloped oil company Severneft and its subsidiary Severorsintez, which they co-owned with at least one partner. Zhan managed it and was its CEO, while Mr. Khudainatov held positions in state-owned companies. They had intended to develop these two companies and in 2006 they borrowed \$40 million from the Latvian private commercial bank Parex for that purpose.<sup>27</sup>

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<sup>24</sup> Elena Vasilieva, Long Road in the Dunes, Forbes.ru, July 2, 2015. <https://www.forbes.ru/forbes/issue/2015-07/291143-dolgaya-doroga-v-dyunakh>. Giacomo Tognini, Meet The Russian Billionaire Who’s The Proxy Owner Of Putin’s \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

<sup>25</sup> Мария Жолобова, Запах женщины: Расследование о красивой, но тайной жизни друга Игоря Сечина, Proekt, March 18, 2020. <https://www.proekt.media/investigation/hudaynatov-amaffi/>

<sup>26</sup> Kirill Mel’nikov and Anna Solodovnikova, Eduard Khudainatov acquired his first oil, *Kommersant*, August 20, 2013. <https://www.kommersant.ru/doc/2258726>

<sup>27</sup> Latvia: Russian Gas Magnate Faces Fraud charges, OCCRP, November 13, 2012. <https://www.occrp.org/en/daily/1719-latvia-russian-gas-magnate-faces-fraud-charges>

34. In late 2008, Parex Bank collapsed and was taken over by the Latvian state, which in 2011 tried to claim the overdue credit back from Severneft. The Latvian state won this case in a Latvian arbitration court, but the Russian Supreme Arbitration Court refused to enforce that verdict in a case that appeared political. The main partner of the brothers blamed Gazprom for having blocked them from developing Severneft. In any case, they failed to develop that company. The Latvians complained that the brothers obscured their financial holdings by liquidating the companies they used to borrow money from Latvia and transferring the corporate assets to a new company, and the unpaid debt to Parex Bank rose to \$100 million.<sup>28</sup> Mr. Khudainatov's nonpayment of his debt to Parex Bank damaged his financial reputation and made it more difficult for him to borrow money on the open market.

35. In 2014, Mr. Khudainatov together with a partner bought his most expensive asset, the small oil company Alliance Oil, from the family of Musa Bazhaev, and after half a year he purchased the share of his partner. This purchase was financed with a credit of no less than \$4 billion from the second biggest state-owned bank, VTB, to an offshore company belonging to Mr. Khudainatov. This was an uncommonly large transaction, indicating considerable political support for Mr. Khudainatov.<sup>29</sup>

36. But this big daring deal occurred at the wrong time and it did not work out well. Mr. Khudainatov bought this oil company when the oil price peaked. Three months later, the oil price halved to \$57 a barrel and the ruble slumped with the oil price. The oil price stayed

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Elena Vasilieva, Long Road in the Dunes, Forbes.ru, July 2, 2015. <https://www.forbes.ru/forbes/issue/2015-07/291143-dolgaya-doroga-v-dyunakh>

<sup>28</sup> Elena Vasilieva, Long Road in the Dunes, Forbes.ru, July 2, 2015. <https://www.forbes.ru/forbes/issue/2015-07/291143-dolgaya-doroga-v-dyunakh>

<sup>29</sup> С новым долгом: глава ННК рефинансировал кредит на покупку Alliance Oil, RBK, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5c6e8e8c9a794734f30ce410>

comparatively low until early 2021.<sup>30</sup> More than 60% of the debt of Alliance Oil was in US dollars, while the company only received 37% of its revenues in dollars. In this situation, Alliance Oil, which had a net debt of \$1.9 billion, had difficulties servicing its debt. According to *Kommersant*'s source, Mr. Khudainatov had no significant financial resources to service the debt to VTB apart from the revenues of Alliance Oil.<sup>31</sup>

37. It is evident from Mr. Khudainatov's financial problems with NNK, Alliance Oil and Parex Bank that from 2015 until 2021, he was in a very tight financial situation. He had bought Alliance Oil at a high price when oil prices were high and he had paid in dollars with a vast credit from a big state-owned bank. During these years, he had little access to funding. He was forced to sell assets and he asked for state funding for NNK projects. He sold some assets to Novatek (where his old acquaintance Mr. Timchenko was the main owner) and Rosneft (run by his patron Mr. Sechin).<sup>32</sup>

38. According to *Vedomosti*, in 2018 the state-owned bank VTB (which was close to Mr. Sechin) restructured the NNK debt of still \$4 billion and relieved Mr. Khudainatov from paying interest for two years. Commentators noted that this was an uncommon form of restructuring, implying that Mr. Khudainatov benefited from some state support. VTB encouraged Mr. Khudainatov to sell a share of his NNK, which he tried to do in 2017, but he failed to conclude any such deal.<sup>33</sup>

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<sup>30</sup> Macrotrends, Crude Oil Prices - 70 Year Historical Chart <https://www.macrotrends.net/1369/crude-oil-price-history-chart>

<sup>31</sup> Kirill Mel'nikov and Anna Solodovnikova, Eduard Khudainatov acquired his first oil, *Kommersant*, August 20, 2013. <https://www.kommersant.ru/doc/2258726> С новым долгом: глава ННК рефинансировал кредит на покупку Alliance Oil, *RBK*, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5c6e8e8c9a794734f30ce410>

<sup>32</sup> С новым долгом: глава ННК рефинансировал кредит на покупку Alliance Oil, *RBK*, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5c6e8e8c9a794734f30ce410>

<sup>33</sup> Vitaly Petrevoi and Yekaterina Derbilova, VTB allowed NNK, Rosneft's ex-president not to service his credit for two years, *Vedomosti*, January 31, 2018. <https://www.vedomosti.ru/business/articles/2018/01/31/749473-vtb-nnk-kreditu>

39. Once again, Mr. Sechin saved him. “In April 2017, NNK sold [oil and gas company] Kondaneft to Rosneft for \$700 million.” This deal seems to have kept Mr. Khudainatov afloat for some time.<sup>34</sup>

40. As a result, Mr. Khudainatov’s claims in paragraph 6 in his declaration that Deloitte assessed the value of NNK at \$8.6 billion on June 30, 2015, and that the value then rose even higher, are completely implausible. First, Mr. Khudainatov could not possibly have earned that much money. His main assets were Rosneft shares worth \$42 million in June 2011 (paragraph 29). Second, starting in 2013 Russian oil assets were declining in value, not rising. Third, if NNK really had the valuations that Mr. Khudainatov claims, there was no reason for NNK to default on the Parex Bank loan of under \$100 million. Fourth, if NNK really had the lofty valuations Mr. Khudainatov claims, there is no apparent reason why its \$4 billion debt to VTB would have persisted through 2018 or why this debt would have been “restructured” in 2018 rather than paid off.

41. The financial documents provided by Mr. Khudainatov through discovery clarify the issue. They contain 11 one-page statements from Deloitte in Russia assessing the market value of NNK every half year from June 30, 2015 until June 30, 2020. The information has been summarized in the attached table (Attachment C). The Deloitte assessments claim to make “an assessment of the value of” the NNK company group, but they do not specify what they mean by “market value.” However, when one considers the similar valuations from other assessment companies discussed below, it becomes clear how Deloitte (like the other assessment companies) is assessing “market value.” The overwhelming value of NNK is Alliance Oil (relatively stable

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<sup>34</sup> Giacomo Tognini, Meet The Russian Billionaire Who’s The Proxy Owner Of Putin’s \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

around \$6.5 billion) and the theoretical value of the oil field rights held by Taimyrneftegaz et al<sup>35</sup> (which rose sharply from \$1.7 billion in 2015 to \$41.8 billion in 2020), while other assets (that is, real money) lingered around \$0.1 billion.

42. Three other assessments of the NNK assets by three different Russian assessment companies—Tekhnologiya Doveriya (Technology Trust), KEPT<sup>36</sup> and DRT (Business Solutions and Technologies)—clarify what the “market” valuation means. These similar assessments of the value of NNK are based on very optimistic oil price forecasts with the Brent oil price mostly in the range \$100-\$120/barrel in the decade 2023-2030. As long as these oil and gas fields were not exploited and lacked infrastructure, they were stranded assets. Therefore, they did not have the market value the assessment consultants indicated. These “market” values are potential values of the oil and gas in the ground, not reflections of the actual market value of the companies and certainly not offering any cash flow. Only the “other assets,” steadily amounting to \$100 million could represent real money values.

43. The KEPT assessment is the most detailed and it is very clear. Its headline states: “Results of the determination of the market value of the business of the NNK Group for December 31, 2022 based on the special assumption of utilization of an optimistic forecast of the Brent price...” it continues: “This document must not be considered...as a view of the company’s ability to pay...” It is based on the volume of oil detected and categorizing the oil reserves. It assesses profitable reserves until 2050 and 2065, respectively, for different categories of reserves. It uses two forecasts for the Brent oil price for 2023-2028. One is the maximum available forecast from \$111 a barrel to \$82 a barrel. The alternative is a steady nominal Brent oil price of \$120 a barrel, which was and remains highly unrealistic. In the first case, the NNK

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<sup>35</sup> See Paragraph 54, *infra*.

<sup>36</sup> KEPT is the name of this company.

group would be assessed at \$22.0 billion and in the second case \$30.9 billion. The KEPT assessment clarifies, first, that this is an assessment of the value of the reserves and not of enterprise value, second, that wildly optimistic oil price assumptions have been used.

44. The Technology Trust assessment of the “market” value of the business of the NNK Group on January 1, 2023 is also rather detailed. It uses even higher oil price forecasts than KEPT. It assumes a Brent oil price rising from \$100 per barrel in 2023 to \$112 per barrel in 2030, which would result in an enterprise value of \$28.4 billion. Technology Trust also made an assessment of the “investment value” of the NNK Group with an even higher oil price assumption rising from \$110 per barrel in 2023 to \$123 per barrel in 2030, resulting in an enterprise value assessment of \$36.2 billion.

45. The DRT assessment is briefer, but also clearer than the Deloitte statement. Assessing the “market” value of the NNK Group on January 1, 2023, it offers two alternative Brent price forecasts. The first rises from \$99 per barrel in 2023 to \$113 per barrel in 2030. The second is even more overoptimistic rising from \$100 per barrel in 2023 to \$133 per barrel in 2030. In the first case, the “market” value of the NNK Group would be \$25.3 billion and in the second \$31.1 billion. This assessment essentially concurs with that of KEPT.

46. Together these four assessors offer a pretty clear picture. First, they all assess the theoretical value of oil reserves in the ground – not actual enterprise values, but the potential value of the oil if infrastructure is built and the oil could be fully tapped. Second, KEPT makes evident that its assessment says nothing about the enterprise’s financial capacity. Third, Technology Trust states that its assessment is only meant for the party that has requested it, that is, NNK. Fourth, the three Russian companies show that they have been asked to base their

assessments on wildly exaggerated oil price forecasts. In short, the Deloitte statements do not indicate any actual marketable wealth of Mr. Khudainatov beyond possibly \$100 million.

47. In 2017, Mr. Khudainatov started three new companies, the coal company Coalstar, the gas company Saratovgazdobycha and the oil company Yugurskaya Neft, but these small start-ups required substantial investment to generate revenues.<sup>37</sup> Presumably he used the \$700 million he received from his sale of Kondaneft to Rosneft for these investments (*see supra* paragraph 39).<sup>38</sup>

48. Dossier, Mr. Mikhail Khodorkovsky's outstanding research website, has written that *Divina Barbara* a 32-meter-long yacht is probably Mr. Khudainatov's personal property. It was built in 2013. The cost of such a yacht would be in the range \$12-\$18 million, that is, far away from the real superyachts.<sup>39</sup> I understand that, since 2023 or thereabouts, Finnish authorities have impounded the *Divina Barbara* as property of Mr. Khudainatov, who is under EU sanctions.

49. In 2018, Mr. Khudainatov bought another yacht, from the Princess Shipyard, 35 meters long, assessed at 1.2 billion rubles.<sup>40</sup> Given that the average ruble-dollar exchange rate in

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<sup>37</sup> С новым долгом: глава ННК рефинансирувал кредит на покупку Alliance Oil, *RBK*, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5c6e8e8c9a794734f30ce410>

<sup>38</sup> Giacomo Tognini, Meet The Russian Billionaire Who's The Proxy Owner Of Putin's \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

<sup>39</sup> Yacht Divina Barbara, Princess, 32m (2013) <https://yachting-insurance.com/yacht/princess-yachts/divina-barbara-princess-32m/>

<sup>40</sup> Svetlana Basharova, Former Vice President of 'Rosneft' bought a yacht for 1.2 billion [rubles] and ask for state support. Baza, September 13, 2019. <https://baza.io/posts/07b77bf3-3208-448d-b6c3-7d1fe30033b0>

<https://ruyachts.com/ru/yachts/princess/m-class/35m/>

2018 was 0.016,<sup>41</sup> that would amount to approximately \$19 million. A Russian customs document for this yacht stated its value at \$18.9 million; *i.e.*, no megayacht.

50. The media paid great attention to this second purchase. Mr. Khudainatov was no longer the president of the big state company Rosneft. It was remarkable that Mr. Khudainatov could afford this yacht, given that his company, NNK, now called Neftegazholding, was a small company with persistent losses. It made a loss of 2.1 billion rubles (\$36 million) in 2017 and 2.4 billion rubles (\$38 million) in 2018. His default on the Parex loan and his debt restructuring with VTB were public knowledge. Mr. Khudainatov's request for state support for his businesses at the same time he was purchasing this yacht generated controversy.<sup>42</sup>

51. Both of these yachts were produced by Princess Yachts International PLC, one 32 meters long and the other 35 meters long, delivered in 2013 and 2018. They were not superyachts and extensive Russian publicity about wealth and yachts do not mention any connections between Mr. Khudainatov and the much more sophisticated superyacht shipyards.

52. Nor is there any apparent public evidence of Mr. Khudainatov having had any dealings with the far more luxurious yacht shipyards Lurssen (which built *Amadea*) or Oceanco (which built *St. Princess Olga*). Given that the Russian media expressed surprise at his ability to buy a minor yacht for \$19 million in 2018, it is implausible that he would be able to purchase *Amadea* for €212,824,677 between 2012 and 2017 as he alleges in his declaration of June 13, 2024, paragraph 15.

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<sup>41</sup> Russian Rouble to US Dollar Spot Exchange Rates for 2018, Exchange Rates.org.uk, (accessed on April 5, 2024) <https://www.exchangerates.org.uk/RUB-USD-spot-exchange-rates-history-2018.html>

<sup>42</sup> Svetlana Basharova, Former Vice President of 'Rosneft' bought a yacht for 1.2 billion [rubles] and ask for state support. *Baza*, September 13, 2019. <https://baza.io/posts/07b77bf3-3208-448d-b6c3-7d1fe30033b0>

53. Mr. Khudainatov's detailed discussion of his interaction with Mr. Evgeniy Kochman, allegedly the construction manager of the *Amadea* at Imperial Yachts, is strange. He claims to have tried to sell the *Amadea* from 2018 with an asking price of €320M (para 29 in his declaration). Yet, Mr. Kochman failed to sell it. Then comes paragraph 35: "As a result of our joint yachting projects over the years, Mr. Kochman and I have developed a strong mutual trust in our business endeavors. Thus, we were able to reach a compromise agreement that involved granting temporary use of the *Amadea* to Mr. Kochman, and requiring that he pay me €225,000,000 for the vessel while he endeavored to sell it." Paragraph 38 claims that Mr. Kochman actually paid this amount in September and October 2021. This makes no economic sense. How could a construction manager have €225 million to spare? Why would he enter such a transaction? What could he possibly gain from it? Paying €225M—the *Amadea*'s alleged market price—for a mere *option to sell* the *Amadea* makes no economic sense.<sup>43</sup>

54. Mr. Khudainatov's big financial breakthrough came late in his career around the time of his 60<sup>th</sup> birthday. In December 2020, he completed another deal with Rosneft, and this was a giant one. Rosneft was still managed by his old sponsor, Mr. Sechin. The deal was widely publicized in February 2021. Rosneft paid Mr. Khudainatov's company NNK \$9.6 billion for 100% of the company Taimyrneftegaz, which owned licenses in several oil fields, many of which were not yet operative. Taimyrneftegaz did not produce any oil or gas at this time. Rosneft

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<sup>43</sup> Under the terms of the alleged agreement, Mr. Kochman also gained temporary use rights to the *Amadea* but assumed all maintenance for it. These provisions do not change the fundamental illogicality of the deal—Mr. Kochman supposedly paid the *Amadea*'s full market value in exchange for temporary use and an option to sell (while shouldering all maintenance costs in the meantime).

wanted to develop Taimyrneftegaz as part of its huge project Vostok Oil. As part of its payment, Rosneft gave NNK several older operative oil fields, which were assessed at \$1.45 billion.<sup>44</sup>

55. For NNK this was an outstanding deal. The old oil fields that Rosneft gave to NNK would enable NNK to increase its production by 6-8 times,<sup>45</sup> but even so NNK remained indebted. In February 2019, its debt had been assessed at \$4 billion.<sup>46</sup> It might have been important for Rosneft to complete Vostok Oil with adjacent non-operative oil fields, though it is also possible that Mr. Sechin offered his old friend Khudainatov (one of his very few friends) a great gift.

56. Thanks to this highly beneficial deal with Rosneft, Mr. Khudainatov could finally afford to pay off the huge debts that he had had since his purchase of Alliance Oil in 2014. Only starting in February 2021, Mr. Khudainatov appears to have possessed a significant fortune. He was possibly a billionaire from February 2021, although Forbes has never recognized him as such in its list of Russian billionaires. As of March 2023, *Forbes* still does not consider Mr. Khudainatov a billionaire.<sup>47</sup> Forbes's excellent specialized correspondent Giacomo Tognini passed this judgment in June 2023: "the 61-year-old Khudainatov was largely unknown outside of his home country until last month. His Independent Petroleum Company, known by its

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<sup>44</sup> «Роснефть» заплатит \$9,6 млрд за активы для «Восток Ойла» *RBK*, February 12, 2021. <https://www.rbc.ru/business/12/02/2021/60268c5a9a794755927576f4>. "Rosneft" paid its former president \$9,6 billion for assets," *Forbes.ru*, February 12, 2021

<sup>45</sup> «Роснефть» заплатит \$9,6 млрд за активы для «Восток Ойла» *RBK*, February 12, 2021. <https://www.rbc.ru/business/12/02/2021/60268c5a9a794755927576f4>.

<sup>46</sup> С новым долгом: глава ННК рефинансировал кредит на покупку Alliance Oil, *RBK*, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5c6e8e8c9a794734f30ce410>

<sup>47</sup> Giacomo Tognini, Tracker: in-depth look at 50 Russian billionaires hit by sanctions, *Forbes*, September 14, 2023.

Russian initials NNK, was a relatively small player in Russia's oil industry until a blockbuster deal with Khudainatov's former employer Rosneft in December 2020.”<sup>48</sup>

57. Since 2021, Mr. Khudainatov has finally been wealthy and engaged in several significant business deals. In October 2021, NNK Oil, a subsidiary of NNK, increased its share in Severnaya Neft to 100%.<sup>49</sup> In November 2021, NNK acquired 50% of Tomskneft from Rosneft in a joint venture with Gazprom Neft.<sup>50</sup> Again, Mr. Khudainatov bought smaller oil fields from Rosneft, which wanted to concentrate on Vostok Oil, but both Severnaya Neft and Tomskneft were substantial companies. In December 2021, he obtained full ownership of the coal company Coalstar by purchasing the outstanding 24.9% shares from his partner.<sup>51</sup>

58. Through discovery, the Department of Justice has received 22 Russian income declarations for Mr. Khudainatov for the years 2017-22. They are summarized in the below table.

Year	Total Income Declared (U.S. dollars)
2017	\$684,870,36
2018	\$4,214,514
2019	\$16,469238
2020	\$89,436,982
2021	\$1,809,446,636

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<sup>48</sup> Giacomo Tognini, Meet The Russian Billionaire Who's The Proxy Owner Of Putin's \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

<sup>49</sup> NNK purchased the whole of Rosneft's Severnaya Neft, Interfax, October 25, 2021, <https://www.interfax.ru/business/799328>.

<sup>50</sup> NNK became the owner of 50% of a joint venture with Gazprom Neft instead of Rosneft, Interfax, November 2, 2021, <https://www.interfax.ru/russia/800858>.

<sup>51</sup> Eduard Khudainatov consolidated 100% of ‘Coalstar’, Interfax, December 29, 2021,<https://www.interfax.ru/business/813169>.

2022	\$2,712,721,932
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59. The Russian income and tax declarations are brief and easy to read. Russia had a flat income tax of 13 percent for all these years, minimizing the need for tax planning. For the years 2017-2021, Mr. Khudainatov received most of his income from 2-3 companies. For the years 2018-2021, the main sources of his income came from the two companies Neftegazholding/NNK and Coalstar. For 2018 and 2019, only his income for the three main companies is provided and summarized. For the other years, the records offer his total income and the enterprises that generated most of his income are specified. Investment income appears to have been important only for two years – 2017 and 2022, allowing Mr. Khudainatov to deduct costs. Whenever in doubt, I have used the larger amount, even if that means a certain risk of overestimating of Mr. Khudainatov’s income. The Russian income and tax declarations are given in current rubles. The amounts have been recalculated into US dollars on the basis of the IRS average exchange rate for each year. For these years, the exchange rate fluctuations were rather limited. Both the nature and volumes of Mr. Khudainatov’s income correspond well to the information that we have recorded already.

60. Mr. Khudainatov allegedly made as much as \$685 million in 2017, which has been discussed in paragraph 39 above. In April 2017, NNK sold Kondaneft to Rosneft for \$700 million. This deal seems to have kept Mr. Khudainatov afloat for some time.<sup>52</sup> Mr. Khudainatov records Gazprombank as the main source of his income that year, which clearly reflects the Rosneft purchase. Yet, we have also recorded above in paragraph 47 that he made substantial

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<sup>52</sup> Giacomo Tognini, Meet The Russian Billionaire Who’s The Proxy Owner Of Putin’s \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

investments: “In 2017 Mr. Khudainatov started three new companies, the coal company Coalstar, the gas company Saratovgazdobycha and the oil company Yugurskaya Neft, but these small start-ups required substantial investment to generate revenues.”<sup>53</sup>

61. I have not been provided with any tax and income declarations for the years 2013-2016, but given the evidence presented above, I would expect Mr. Khudainatov’s entire income to come from NNK and be in the low millions of dollars each year.

62. Mr. Khudainatov income is as expected for the years 2018-20 in the limited millions of dollars for 2018 and 2019, rising in 2020 to \$89 million. NNK and Coalstar were his main sources of income.

63. As discussed above, Mr. Khudainatov struck gold through his December 2020 Rosneft deal. As could be expected for 2021-22, his incomes rose according to the records to \$1.8 billion in 2021 and \$2.7 billion in 2022. In 2022, the structure of his income changed completely. Suddenly, his income originated in other companies and offshore companies, and therefore became significantly less transparent (and less credible). It might have been much lower than reported.

64. Returning to the assessments of the value of Neftegazholding/NNK and Taimyrneftegaz by Deloitte above, two observations stand out. First, Neftegazholding/NNK provided Mr. Khudainatov (its alleged sole shareholder) annual incomes in the low millions of dollars for this period. This is implausible for a company with a market value of \$6.8 billion. The four assessment companies drastically overvalued Mr. Khudainatov’s assets, considering undeveloped or even stranded energy assets as of full value and at an unrealistically high market price. Second, the dominant value of NNK reflected the value of Taimyrneftegaz, an

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<sup>53</sup> С новым долгом: глава ННК рефинансировал кредит на покупку Alliance Oil, RBK, February 28, 2019. <https://www.rbc.ru/business/28/02/2019/5cbe8e8c9a794734f30ce410>

undeveloped and so far stranded oil asset that generated no income. Mr. Khudainatov only recorded one income distribution from Taimyrneftegaz, a mere \$75 in 2020. Taimyrneftegaz contained plenty of oil reserves, but it remained stranded and thus without immediate value until Mr. Sechin decided that his Vostok Oil project needed this field. Absent the very special relationship between Mr. Sechin and Mr. Khudainatov, Taimyrneftegaz might have remained a stranded asset.

65. All sources, whether Russian or Western, present Mr. Khudainatov as a subservient friend of Mr. Sechin. We have established that Mr. Sechin launched him in 2013 with selling him oil fields for NNK at very favorable prices. When Mr. Khudainatov's business went poorly, he received \$700 million from Mr. Sechin's Rosneft in 2017 for Kondaneft, and \$9.6 billion in December 2020 for Taimyrneftegaz. They had also minor real estate business together. It is difficult to see Mr. Khudainatov as an independent businessman, given that he made all his real money by serving Mr. Sechin.

66. Having reviewed a substantial volume of financial documents, and based on my experience and expertise in Russian affairs and Russian oligarch wealth, I find it inconceivable that Mr. Khudainatov could have afforded to purchase and maintain all the superyachts he claims to have procured from 2012-2020.

67. For example, Claimants' interrogatory responses (signed under penalty of perjury by Mr. Khudainatov) state that Mr. Khudainatov commissioned the *Amadea* for roughly €223M in February 2012, even though the full €223M purchase price was not paid to the ship's builder and designers at that time. I have seen no financial documents suggesting that Mr. Khudainatov had the financial means to commission a €223M superyacht in 2012,<sup>54</sup> and the available facts of

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<sup>54</sup> Notably, Claimants have not produced income statements or other financial statements of Mr. Khudainatov's net worth going back to 2012. Their financial documents and/or representations begin in 2015.

Mr. Khudainatov's business trajectory show that he did *not* have the means to commission a €223M superyacht in 2012. For example, as detailed above, Mr. Khudainatov's main assets circa 2012 were Rosneft stock shares worth approximately \$42M. When he started NNK the following year (and thus purchased NNK's initial \$500M oil fields), contemporaneous sources stated that he did not and could not have funded this purchase with his own money. And by 2012, he had also defaulted on the \$78M Parex loan. These facts, put together, show that Mr. Khudainatov did not plausibly have €223M to sink into a lavish superyacht purchase in 2012.

68. Furthermore, Claimants' interrogatory responses allege that Khudainatov also purchased the superyacht Amore Vero in 2012, for roughly €135M. That means Khudainatov allegedly commissioned €358M worth of superyachts (€223M + €135M) in 2012. Again, nothing about Mr. Khudainatov's business stature in 2012 suggests that he could have done so.

69. Claimants' interrogatory responses next claim that Mr. Khudainatov commissioned the superyacht Crescent for approximately €500M just months later in March 2013. This means that, by March 2013, Mr. Khudainatov had allegedly gone on a year-long spending spree for €858M worth of superyachts. Again, nothing about Mr. Khudainatov's business stature suggests he could have commissioned €858M worth of superyachts in 2012-13.

70. Claimants' interrogatory responses next claim that Mr. Khudainatov commissioned the superyacht Scheherazade for approximately €598M on December 30, 2014. This would push Mr. Khudainatov's alleged superyacht acquisitions from 2012-2014 up to €1.456B. In other words, Claimants allege that Mr. Khudainatov purchased or commissioned nearly €1.5B worth of superyachts from 2012-2014. Again, nothing about Mr. Khudainatov's business stature suggests that he could have commissioned this volume of superyachts from 2012-14. In addition to the points made above, it is worth repeating that by the end of 2014 Mr.

Khudainatov had just purchased Alliance Oil with a heavy debt load, and the price of oil was sliding (making it difficult to service this debt). Mr. Khudainatov's company NNK had no more than \$100M in income-producing assets at this time, with the remainder of its paper assets being undeveloped and stranded reserves. In that financial situation, it is not plausible that Mr. Khudainatov had €598M to devote to a mammoth superyacht project like the Scheherazade, particularly if this would have brought his overall superyacht investments to nearly €1.5B.

#### **IV. Suleiman Kerimov**

71. Mr. Suleiman Kerimov, who was born in Dagestan in Southern Russia in 1966, came from a middle-class family. He studied in Dagestan. While being an excellent student of economics, he did not move to Moscow until 1993.

72. Mr. Kerimov's first big rise seems to have occurred in December 1999, when he was elected to the State Duma for the so-called Liberal Democratic Party of Russia (LDPR), Mr. Vladimir Zhirinovsky's ultranationalistic party. It was known for regularly selling seats in the Duma to businessmen, and it is a loyal support party to Mr. Putin. Mr. Kerimov remained a member of the Duma until 2008, when he moved to the Federation Council, the Russian Senate. Also in 1999, he bought the company "Nafta Moskva," which had been the old USSR oil export monopoly company "Soyuznnefteeksport." Mr. Kerimov bought Nafta Moskva for only \$50 because it was on the verge of bankruptcy, but it remained a big company name.<sup>55</sup>

73. Mr. Kerimov's financial rise from 2000-08 might appear prosaic. He simply bought plenty of stocks in the two leading state companies, Gazprom and Sberbank, whose stock prices rose sharply in the years 2004-08, but there are many interesting peculiarities. First, he received huge credits from two state banks, Vnesheconombank and Sberbank, for his stock

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<sup>55</sup> Anastasia Stognei, How did Suleiman Kerimov amass a \$25 billion fortune? *The Bell*, August 8, 2020. <https://en.thebell.io/how-did-suleiman-kerimov-amass-a-25-bln-fortune/>

speculation, which suggested considerable state support. As one independent analyst reported: “The ability to raise loans on favorable terms has been Kerimov’s super power.”<sup>56</sup> Second, the stock prices of big state companies rose because of government policies so it was not accidental. Third, in 2008 Nafta Moskva was the biggest individual shareholder in both Gazprom and Sberbank, which aroused public attention and surprise at the time, because the Kremlin would not allow anybody but a very obedient loyalist to own that much of two top state-owned companies. Mr. Kerimov was known to have maintained close relations with Deputy Prime Minister Igor Shuvalov, and the young rising oligarchs Mr. Roman Abramovich and Mr. Oleg Deripaska. He was seen as one of the best and brightest.

74. Mr. Kerimov has mainly operated as a private equity investor, moving in and out of big companies rather quickly. His lesson from the global financial crash of 2008 was that he wanted to be an influential owner and not only a passive investor. He invested in real estate in Moscow, fertilizers, and gold. He appeared to have been helpful to the Kremlin in several politically sensitive deals, notably in the fertilizer sector (Uralkali) and Moscow real estate (Hotel Moskva, which was located just outside of the Kremlin).

75. The huge potash mine Uralkali had been developed by the private entrepreneur Mr. Dmitry Rybolovlev, but Uralkali had repeated major accidents, making it legally vulnerable and a political embarrassment to the government. Mr. Rybolovlev got into a fight with the powerful Mr. Igor Sechin, then deputy prime minister. Mr. Kerimov came to the government’s rescue.<sup>57</sup> In June 2010, Mr. Kerimov with two partners bought Uralkali from Mr. Rybolovlev.

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<sup>56</sup> Anastasia Stognei, How did Suleiman Kerimov amass a \$25 billion fortune? *The Bell*, August 8, 2020. <https://en.thebell.io/how-did-suleiman-kerimov-amass-a-25-bln-fortune/>

<sup>57</sup> Irina Malkina, The saga of Russia’s art-collecting oligarch and his new corruption woes in Monaco, *The Bell*, November 10, 2018. <https://en.thebell.io/the-saga-of-russia-s-art-collecting-oligarch-and-his-new-corruption-woes-in-monaco/>

They did so with substantial loans from the Russian state-owned bank VTB. They appeared to do so to salvage the Russian government from embarrassment. Mr. Rybolovlev emigrated to Monaco, where he has been prosecuted for bribery. Mr. Kerimov sold his shares in Uralkali in 2013, suggesting that he saw it as a temporary expedient, from which he profited handsomely.<sup>58</sup>

76. Hotel Moskva, an old Soviet hotel just outside of the Kremlin, was supposed to be redeveloped. A Russian businessman, Mr. Ashot Yegiazaryan, had obtained a contract on that project in the early 2000s. He fled from Russia for the United States in 2010, claiming that he had been squeezed out of the project by prominent oligarchs, closely allied with Putin, notably Mr. Kerimov.

77. In the Panama Papers, released in April 2016, Mr. Kerimov is named as the biggest donor to companies connected to the cellist Mr. Sergei Roldugin, who is understood to hold funds for Mr. Putin in offshore havens: “Companies connected to another major Russian businessman, Suleiman Kerimov, also made indirect payments to a Roldugin-connected offshore company. In two complex deals with Kerimov companies, Roldugin effectively received the rights to receive 4 billion rubles (US \$59 million) and US \$200 million respectively for a payment of just US \$2.”<sup>59</sup> No other person was recorded as having made such big payments to Mr. Roldugin (Putin), indicating that Mr. Kerimov was very close to Mr. Putin.

78. Mr. Kerimov is a great fan of superyachts. From 2005 to 2015, Kerimov owned one of the world's largest private yachts, which was known as Ice. It was built in 2005 by

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<sup>58</sup> Заглянуть в провал: что происходит на месте аварии «Уралкалия», RBC, November 24, 2014. <https://www.rbc.ru/business/24/11/2014/5472f367cbb20f47fd664aa1>

<sup>59</sup> Roman Anin, Olesya Shmagun, and Dmitry Velikovskiy, The Secret Caretaker, *Organized Crime and Corruption Reporting Project*, April 3, 2016. <https://www.occrp.org/entreasury/> /panamapapers/the-secret-caretaker/

German company Lürssen. He sold Ice to the Ministry of Defense for the Republic of Equatorial Guinea in 2015.

79. The United States' allegation in this case is that he then bought *Amadea*, a 106.1 m Motor Yacht, built by the same German company Lürssen.<sup>60</sup>

80. On April 6, 2018, Mr. Kerimov was one of seven oligarchs sanctioned by the U.S. government: "Suleiman Kerimov is being designated for being an official of the Government of the Russian Federation. Kerimov is a member of the Russian Federation Council."

81. On November 20, 2017, Kerimov was detained in France and held for two days. He is alleged to have brought hundreds of millions of euros into France – transporting as much as 20 million euros at a time in suitcases, in addition to conducting more conventional funds transfers – without reporting the money to French tax authorities. Kerimov allegedly laundered the funds through the purchase of villas. Kerimov was also accused of failing to pay 400 million euros in taxes related to villas."<sup>61</sup> As a senator, Mr. Kerimov claimed diplomatic immunity, which the French authorities eventually recognized.<sup>62</sup> At the time, the Kerimov family's main asset was Polyus, Russia's largest gold producer, of which Mr. Kerimov's son was the legal owner of the majority stake.<sup>63</sup>

82. Mr. Kerimov has subsequently been sanctioned by the European Union, the UK, Canada, Switzerland, Australia, and Japan, making him one of the most sanctioned Russian

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<sup>60</sup> Amadea: Built by Lurssen. <https://www.boatinternational.com/yachts/the-superyacht-directory/amadea--87271>; <https://www.superyachttimes.com/yachts/amadea>.

<sup>61</sup> US Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign Activity April 6, 2018. <https://home.treasury.gov/news/press-releases/sm0338>

<sup>62</sup> David Keohane and Nastassia Astrasheuskaya, France opens new tax fraud probe into Russian oligarch Kerimov, *Financial Times*, March 20, 2019. <https://www.ft.com/content/605606a6-4b25-11e9-bbc9-6917dce3dc62>

<sup>63</sup> Max Seddon and Henry Foy, French police detain Russian oligarch Kerimov, *Financial Times*, November 21, 2017. <https://www.ft.com/content/035d050a-a068-3683-ae3e-0384eb21c42b>

businessmen. Members of his family have been sanctioned as well.<sup>64</sup> I have seen no evidence suggesting that his children have acquired significant independent wealth.

83. Mr. Kerimov is among the oligarchs closest to the Kremlin. He has greatly benefited from both loans and tolerance from the Kremlin, while being exceedingly obedient to the Kremlin, and therefore sanctioned by most Western countries. He has had a fortune of \$10 billion or more for a long time. He and his family have indulged in highly luxurious life, and have used magnificent villas on the French Riviera and grand yachts at least since 2005.

84. Alisa Gadzhievna Gadzhieva paid Mr. Eduard Khudainatov's alleged company Invest International Finance Ltd ("IIF") a total of €225 million for the *Amadea* in Fall 2021, according to documents the Department of Justice has received through civil discovery. As explained below, Alisa Gadzhieva is Mr. Suleiman Kerimov's niece.

85. As stated above, Mr. Suleiman Kerimov is a Russian oligarch. He was born in Derbent in the Russian province of Dagestan in 1966 as one of three siblings. Mr. Kerimov's sister married a Mr. Gadzhiev Gadzhiev and they had three children together.

86. Like Mr. Kerimov, three Gadzhiev siblings were born in Derbent in Dagestan. All three can be identified through their rather uncommon family name and even more uncommon patronym plus their known relations with Mr. Kerimov.

87. The oldest nephew is Mr. Nariman Gadzhievich Gadzhiev, who was born in Derbent on May 31, 1976. He was for many years Mr. Kerimov's leading international financial operator, with citizenship of Russia, St. Kitts and Nevis, while living in the United Arab Emirates and Switzerland.<sup>65</sup> He was revealed in the Pandora Papers leak, published in October

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<sup>64</sup> Giacomo Tognini, Tracker: in-depth look at 50 Russian billionaires hit by sanctions, *Forbes*, September 14, 2023.

<sup>65</sup> Nariman Gadzhievich Gadzhiev, Open Sanctions, (Accessed on July 19, 2024), <https://www.opensanctions.org/entities/NK-TV5wncQ3bfY9akcDpKb2dG/>

2021, to be the owner of LT Trading, a British Virgin Islands-registered firm through which he made substantial financial transfers for the benefit of his uncle Mr. Kerimov.<sup>66</sup>

88. The next sibling is Mr. Ruslan Gadzhievich Gadzhiev, who was born in Derbent on August 29, 1978. In 1999, he completed law studies at Moscow State University and in 2000 he completed studies at the Gubkin Institute in Moscow, Russia's top institute for oil and gas studies.<sup>67</sup> He served on the supervisory board of Polyus Gold after his uncle Mr. Kerimov became the dominant owner.

89. The youngest sibling, Alisa Gadzhievna Gadzhieva, lives in the Prospekt Vernadskogo in South-West Moscow. She defended her dissertation for a Ph.D. in economics at Moscow State University in 2018.<sup>68</sup> She went into business in 2013 and has focused on services and digitization. Official Russian registration websites name her as the founder and owner or co-owner of several restaurants: Daily Mills, Ochs, Gourmand, and others.<sup>69</sup> In her restaurant business she has benefited from partners connected with Mr. Kerimov. Apart from her restaurant business, she attracted attention when she won a construction contract in Serebryany Bor (the Silver Forest), one of the most privileged Moscow resort areas. She has also taken over a

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<sup>66</sup> U.S. Department of the Treasury, Treasury Sanctions Global Russian Military Supply Chain, Kremlin-linked Networks, and Elites with Western Fortunes, November 14, 2022. <https://home.treasury.gov/news/press-releases/jy1102>

<sup>67</sup> Kenzi Abou-Sabe, et al. How a Mysterious Putin Ally, the ‘Russian Gatsby,’ Moves His Billions, NBC, April 11, 2022. <https://www.nbcnews.com/news/world/mysterious-putin-ally-russian-gatsby-moves-billions-rcna23603>

<sup>68</sup> Gadzhieva Alisa Gadzhievna, dissertatsiya, Воспроизводственная роль сферы услуг в современной экономике, Moscow State University, 2018. <https://disssovet.msu.ru/dissertation/241>

<sup>69</sup> Gadzhieva Alisa Gadzhievna, ИНН 773461152501, (accessed July 19, 2024) <https://zachestnyibiznes.ru/f/773461152501>; Companies in which Gadzhieva Alisa Gadzhievna is a founder, (accessed July 19, 2024) <https://www.bizfiles.ru/d/person/053000094207/info>; Businessman Gadzhieva Alisa Gadzhievna, ИНН 773461152501, (accessed July 19, 2024), <https://injust.pro/person/773461152501>

shipyard that previously had belonged (at least nominally) to her brother Ruslan, although possibly in name only.

90. The foregoing facts create an overwhelming inference that when Ms. Gadzhieva paid €225 million for the *Amadea* in 2021, she was purchasing the *Amadea* for Mr. Kerimov using Mr. Kerimov’s money. Nothing suggests that Ms. Gadzhieva had anywhere near the kind of personal wealth to spend €225 million for a superyacht—such a transaction is the province of billionaires, which Ms. Gadzhieva assuredly is not. The only person apparently connected to her who had that kind of wealth is her uncle, Mr. Suleiman Kerimov. Furthermore, as discussed above, Mr. Kerimov has a history of using his Gadzhiev relatives as proxies and/or representatives in his business dealings.

91. I am aware that Claimants contend that Gadzhieva did not pay €225M to purchase the *Amadea* (on behalf of either herself or her uncle) but rather that she *loaned* the €225M to a company called Errigal Marine Ltd. (“Errigal”). Claimants further contend that Errigal is a holding company controlled by Evgeniy Kochman and that Errigal/Kochman needed to pay €225M to Khudainatov in order for Kochman to obtain “temporary use rights” to the *Amadea* while he endeavored to sell it. I have reviewed the document purporting to be a loan agreement between Gadzhieva and Errigal, in which Gadzhieva promises to loan Errigal €225M at a 3.5% annual interest rate and the parties agree that Errigal may ask Gadzhieva to pay the funds directly to a third-party. I have also reviewed the letters in which Errigal directs Gadzhieva to pay the €225M directly to IIF. In my opinion, this “loan” makes no commercial sense, thus creating a strong inference that it was not a genuine loan at all but rather a disguised means for Kerimov to purchase the *Amadea*.

92. First, the “loan” makes no economic sense from Gadzhieva’s perspective. In a best-case scenario, if Errigal/Kochman were able to swiftly sell the *Amadea* for more than €225M, Gadzhieva might get back her €225M plus 3.5% annual interest. But this would be no great financial gain for Gadzhieva; a 3.5% return is less than one could have reasonably expected to receive by merely investing in securities on the open markets (European or Russian) in Fall 2021. Conversely, if Errigal/Kochman were unable to sell the *Amadea*, Errigal would have been unable to repay the loan at all and Gadzhieva would have lost her entire €225M. In sum, Gadzhieva stood to gain a below market-rate return in a best-case scenario and had a strong possibility of losing the entire €225M. No reasonable person would have ever loaned €225M under these conditions. This is particularly true given that the “loan” was not secured against anything. An unsecured loan to a shell company (such as Errigal) is the one of the riskiest sorts of loans imaginable, and no reasonable person would have made such a loan when the only possible upside was a modest return of 3.5%. Finally, this purported loan was even riskier because the loan agreement required that any disputes be resolved in Russian courts, but Errigal was a Cayman Islands company. Thus, if Errigal had defaulted on the loan, it is far from clear what legal enforcement rights Gadzhieva would have had, as a breach-of-contract judgment from a Russian court could be difficult or impossible to enforce against a Cayman Islands company.

93. The “loan” was also economically irrational from Errigal/Kochman’s perspective. If Kochman were able to swiftly sell the *Amadea* for more than €225M, he might have been able to repay the Gadzhieva “loan” and still turn a profit. By contrast, if he was unable to sell the *Amadea*, he would have been unable to repay the “loan” and would have become a defaulted debtor to the Kerimov family, which (through Suleiman) was one of the most powerful families in Russia. No reasonable person in Kochman’s position would have taken on this risk.

## V. Igor Sechin

94. Mr. Igor Sechin made his career as one of the closest assistants to Mr. Putin from when he became first deputy mayor of St. Petersburg in the early 1990s. Mr. Sechin was Mr. Putin's chief of staff and he accompanied him to Moscow and worked closely with him for many years. When Mr. Putin became President in 2000, Mr. Sechin became one of his top aides, controlling the access to Putin and overseeing energy issues in Russia.

95. Sechin had a background in the security services, having worked as a military interpreter in Africa. He was close to several top security officers. In his career, he has fought and ousted one important person after the other and established himself as the most aggressive corporate raider in Russia on behalf of Rosneft.

96. One investment banker commented to me about his later management of Rosneft that Mr. Sechin treated his four top deputies, who were all foreigners, as servants, while he treated his many Russian deputies as slaves. When he appeared with a score of subordinates, nobody but Mr. Sechin dared to speak.

97. Early on in the Kremlin, Mr. Sechin focused on seizing control of Rosneft, the small but main remaining state-owned oil company. He played an important role in the arrest of Mr. Mikhail Khodorkovsky and the seizure of Yukos oil assets to the benefit of Rosneft, and in July 2004 President Putin appointed Mr. Sechin chairman of Rosneft's board of directors.<sup>70</sup>

98. Mr. Sechin's career can be summarized as defeat and conquer. He is highly competitive and hostile to other big state enterprise managers, such as Mr. Alexei Miller of Gazprom, Mr. Sergei Chemezov of Rostec, and Mr. Sergei Tokarev of Transneft, although they are all close to Mr. Putin.

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<sup>70</sup> Thane Gustafson, *Wheel of Fortune: The Battle for Oil and Power in Russia*, Belknap Harvard, 2012, p. 340.

99. From the early 2000s, Mr. Sechin was focused on seizing control of Rosneft. Initially, he assisted its strong chief executive Mr. Sergei Bogdanchikov to strengthen the company. They cooperated in jailing Mr. Khordorkovsky and taking over his outstanding oil company Yukos.

100. From 2007 to 2010, Mr. Sechin worked on undermining the position of Mr. Bogdanchikov, who appeared to enjoy Mr. Putin's respect. In 2010, he succeeded by having Mr. Khudainatov appointed in Mr. Bogdanchikov's place as CEO of Rosneft. Mr. Khudainatov was apparently a placeholder for Mr. Sechin, because at the time, Mr. Sechin was Deputy Prime Minister under President Dmitri Medvedev and was not allowed to take that job himself, but in 2012 he left the government and did so.<sup>71</sup> Rather than protesting, Mr. Khudainatov ceded his place and became first deputy to Mr. Sechin and soon afterwards he departed to the private sector on good terms with Mr. Sechin. Mr. Khudainatov's acceptance of his demotion and his maintenance of good relations with Mr. Sechin appears an unicum. Otherwise, Mr. Sechin appears to have had one master (Putin), few if any friends, and very many enemies.

101. Mr. Sechin proceeded with his corporate raiding on behalf of Rosneft. In 2011-12, he bought TNK-BP for \$55 billion, which was considered far too expensive and his financing caused two ruble crises.<sup>72</sup> In October 2016, Rosneft bought the well-managed oil company Bashneft, after first having it re-nationalized from the oligarch Vladimir Yevtushenkov, who was not sufficiently close to the Kremlin.<sup>73</sup>

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<sup>71</sup> Gustafson, op. cit. pp. 340-358.

<sup>72</sup> Anders Åslund, The Problematic Nature of Russian Banking, *Demokratizatsiya*, 27, 4: 423-442, Fall 2019.

<sup>73</sup> Bashneft Sale To Rosneft Provides \$5.2 Billion For Kremlin Budget, Radio Free Europe/Radio Liberty, October 16, 2016. <https://www.rferl.org/a/bashneft-sale-rosneft-provides-5-billion-dollars-kremlin-budget-not-privatization/28050059.html>

102. In November 2016, Mr. Sechin instigated an elaborate sting operation with Russia's FSB security service to arrest the comparatively liberal Minister of Economy Alexei Ulyukayev, who had opposed Mr. Sechin's takeover of Bashneft. Mr. Ulyukaev was sentenced to eight years in prison on shaky grounds.<sup>74</sup>

103. Mr. Sechin stands out in many ways. *Kommersant* offers annual multiple rankings of top Russian businessmen. In 2018, Mr. Sechin topped their rankings as most mentioned in media and the most sanctioned by the West. He is by far the most criticized, the most scandalous, the closest to power (that is, Putin), and the most focused on making money.<sup>75</sup> This kind of ranking should not be taken too seriously, but Mr. Sechin stands out with a similar position each year. Within the Russian establishment Mr. Sechin appears to be the closest to Putin, while fighting with almost everybody else.

104. Mr. Khudainatov appears to be an exceptional person who actually gets along with Mr. Sechin. A *Forbes* article elaborates on their relationship. Mr. Sechin appointed Mr. Khudainatov because he liked his project development for Gazprom – fast, but twice as expensive as other such projects – and Mr. Sechin needed loyal people to surround Rosneft Chief Executive Bogdanchikov to prepare for his ouster. Mr. Khudainatov tried to be as similar to Mr. Sechin as possible and even imitated him, being perfectly obedient. They have houses beside one another outside of Moscow.<sup>76</sup> Russian *Forbes* wrote about Khudainatov: “In contrast to many

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<sup>74</sup> Henry Foy, We need to talk about Igor': the rise of Russia's most powerful oligarch, *Financial Times*, March 1, 2018. <https://www.ft.com/content/dc7d48f8-1c13-11e8-aaca-4574d7dabfb6>

<sup>75</sup> The league of outstanding businessmen 5, *Kommersant*, January 12, 2018. <https://www.kommersant.ru/doc/3519991>.

<sup>76</sup> Elena Vasilieva, Long Road in the Dunes, *Forbes.ru*, July 2, 2015. <https://www.forbes.ru/forbes/issue/2015-07/291143-dolgaya-doroga-v-dyunakh>

other people who departed from ‘Rosneft’, he maintained good relations with Sechin.”<sup>77</sup>

*Kommersant* called Mr. Khudainatov “one of the people closest to Sechin.”<sup>78</sup>

105. “He warmed the seat for [Sechin at Rosneft.] Sechin became confident that Khudainatov was extremely loyal,” says Vladimir Milov, a Russian opposition politician and economist who served as Russia’s deputy energy minister in 2002. “And we see that they really keep partnering in a lot of ways.”<sup>79</sup>

106. As one of the most prominent Russian state enterprise managers and a top state official close to President Putin, Mr. Sechin was part of an early batch of prominent Russians sanctioned by the United States government in April 2014 in response to the Russian government's role in the occupation of Crimea.<sup>80</sup> In July 2014, the United States Treasury imposed sanctions that prohibited U.S. persons from providing new financing to Rosneft, limiting its access to U.S. capital markets.<sup>81</sup> Mr. Sechin has subsequently been sanctioned also by the European Union, the UK, Japan, Canada, Switzerland, and Australia.

## VI. Conclusion and Further Points

107. The extensive Russian publications about Mr. Khudainatov, his business and wealth are highly informative. He has made his career as an energetic hustler on the margins of

<sup>77</sup> The last Conquistador, *Forbes.ru*, December 15, 2013. <https://www.forbes.ru/kompanii/resursy/248634-poslednii-konkistador-kak-igor-sechin-vedet-borbu-za-neftyanoe-gospodstvo>

<sup>78</sup> Eduard Khudainatov left his place for a Frenchman, *Kommersant*, July 29, 2013. <https://www.kommersant.ru/doc/2243542>

<sup>79</sup> Giacomo Tognini, Meet The Russian Billionaire Who’s The Proxy Owner Of Putin’s \$500 Million yacht, *Forbes*, June 13, 2022. <https://www.forbes.com/sites/giacomotognini/2022/06/13/meet-the-russian-billionaire-whos-the-proxy-owner-of-vladimir-putin-500-million-yacht-eduard-khudainatov/?sh=10bbb45e1a53>

<sup>80</sup> U.S. Treasury, Announcement Of Additional Treasury Sanctions On Russian Government Officials And Entities, April 28, 2014. <https://home.treasury.gov/news/press-releases/jl2369>

<sup>81</sup> U.S. Treasury, Announcement of Treasury Sanctions on Entities Within the Financial Services and Energy Sectors of Russia, Against Arms or Related Materiel Entities, and those Undermining Ukraine’s Sovereignty, July 16, 2014. <https://home.treasury.gov/news/press-releases/jl2572>

the state-owned and private sectors in Russian West Siberia. His greatest asset has been his complete loyalty to one of Putin's top lieutenants, Mr. Igor Sechin. Mr. Khudainatov was always ambitious with many great plans, but he needed government fundings for these plans. He received some, mainly through atypically large loans from the state-owned bank VTB, but he lost a lot of money on his projects until the end of 2020. At that time, he had his single biggest break (the December 2020 Rosneft deal) and his fortune might have risen above \$1 billion after this time.

108. Mr. Khudainatov has undoubtedly been loyal to Mr. Sechin at least since 2007. In return, he appears to have received the lion's share of his assets thanks to Mr. Sechin – through appointments in Rosneft and then through favorable asset deals with Mr. Sechin. Mr. Khudainatov does not appear to have any significant business success independent of Mr. Sechin.

109. Mr. Khudainatov is credibly associated with two yacht purchases. In or after 2013, he bought a yacht valued at \$12-\$18 million and in 2018 he bought another yacht for \$19 million. Yet these yachts were no superyachts and were far more modest than the giant superyachts of the big oligarchs.

110. Mr. Khudainatov's amended interrogatory responses of June 21, pp. 9-12 appear highly improbable given that Mr. Khudainatov lacked the money to make the purchases he sets forth:

- a. Claiming to have commissioned *M/Y Amadea* on February 24, 2012 from Lürssen and paid €212,824,677 is completely implausible as discussed above.
- b. Claiming to have commissioned *M/Y Crescent* on March 28, 2013 from Lürssen and paid €499,255,315 is even more implausible.

c. Claiming to have commissioned *M/Y Scheherazade* on December 30, 2014 from Lürssen and paid €597,738,413 is equally implausible.

111. The least credible statement by Mr. Khudainatov is that he claims to have purchased *M/Y Amore Vero* in or about 2012 for €134,501,269 from the shipbuilder Oceanco. The shipbuilder Oceanco states itself that “the stunning Amore Vero yacht set sail as the St. Princess Olga for the first time in 2013...The vessel, however changed hands in 2018 . . . ”<sup>82</sup> The superyacht *St. Princess Olga* has been well investigated by Russia’s best journalists. It was commissioned by Mr. Sechin and delivered in 2013. The “Olga” in its name was a reference to Mr. Sechin’s then-wife Olga Rozhkova. In 2011, she changed her family name to Sechina.<sup>83</sup> “After the couple split, around 2017, according to independent Russian media, the boat was renamed.”<sup>84</sup> Indeed, I understand from Government expert and superyacht captain Sean Meagher – who researched the issue with the International Maritime Organization – that the *St. Princess Olga* changed its name to *Amore Vero* in 2017, the very year Sechin divorced Olga Rozhkova. The *Amore Vero*’s former name and name change, when synched up against Sechin’s marriage and divorce from Olga Rozhkova, creates an overwhelming inference that the *Amore Vero* belonged to Sechin from 2013 through 2018, not Khudainatov.

112. Apart from the period after December 2020, it appears inconceivable that Mr. Khudainatov would have had sufficient means to buy or commission a superyacht costing more than \$200 million.

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<sup>82</sup> Amore Vero Yacht: An Epitome of True Luxury at Sea, Superyacht Fan (Accessed on June 25, 2024) <https://www.superyachtfan.com/yacht/amore-vero/>

<sup>83</sup> Roman Anin, The Secret of the St. Princess Olga, OCCRP, August 2, 2016. <https://www.occrp.org/en/investigations/5523-the-secret-of-the-st-princess-olga>

<sup>84</sup> Jasper Jolly, Igor Sechin: the epitome of power in Putin’s Russia, *The Guardian*, March 4, 2022. <https://www.theguardian.com/business/2022/mar/04/igor-sechin-the-epitome-of-power-in-putin-russia-rosneft-economy>

Dated: 09/16/2024



Anders Aslund

**Curriculum Vitae**  
Anders Åslund

**EDUCATION**

- 1976 BA (*fil. kand.*), University of Stockholm (Russian, History, Polish, Political Science)
- 1976 MSc in Economics (*civilekonom*), Stockholm School of Economics
- 1982 Doctor of Philosophy (Modern Economic History), Oxford University (St. Antony's College).

**DIPLOMATIC WORK**

- 1976-77 Completed training course for diplomats at the Swedish Ministry for Foreign Affairs, Stockholm
- 1977-78 Second Secretary, Swedish Embassy, Kuwait
- Summers 1979, 1980, 1981, Temporary Scandinavian Consul, Szczecin, Poland
- 1982-84 First Secretary at the Swedish Permanent Delegation to the International Organizations, Geneva
- 1984-87 First Secretary for Economic Affairs, Swedish Embassy, Moscow
- 1988-89 Head of Section, Political Department, Ministry for Foreign Affairs, Stockholm

**ACADEMIC WORK**

- July 1989-August 1994 Associate Professor, from October 1989 Professor, Stockholm School of Economics
- 2002-11 Co-Chairman of the Kyiv School of Economics, then senior advisor.
- August 2002-present Adjunct Professor, School of Foreign Service, Georgetown University
- Given lectures at over 50 universities around the world, including all the top US universities

**GOVERNMENT ADVICE**

- 1991-92 Member of the International Baltic Economic Commission,
- November 1991-January 1994 Economic Advisor to the Russian Government and co-director of the Macroeconomic and Finance Unit at the Ministry of Finance of Russia (together with Professor Jeffrey D. Sachs)
- 1992-1999 Founding member of the Board of Directors of the Russian Privatization Center
- August 1994-December 1997 Economic advisor to the Ukrainian Government and Director of the Soros International Economic Advisory Group, Kyiv
- 1998-2004 Economic Advisor to President Askar Akaev of Kyrgyzstan (UNDP)
- July 2004-January 2005 Co-Chaired a Blue Ribbon Commission on a Reform Program for the Next Ukrainian President (UNDP)
- September 2009-February 2010 Co-Chaired an Independent Commission of International Experts on Economic Reform for the Ukrainian Government
- May 2014-April 2016 Advisor to the Ukrainian Minister of Economy

## THINK TANKS

- July 1989-August 1994 Founding Director of the Stockholm Institute of East European Economies at the Stockholm School of Economics
- 1991-1999 Program Fellow of the World Economic Forum
- March-August 1994 Guest Scholar at the Brookings Institution, Washington, DC.
- October 1994-December 2005 Senior Associate, Carnegie Endowment for International Peace, Washington, DC
- Chairman of the Advisory Council of the Center for Social and Economic Research (CASE), Warsaw, 1999-present
- August 2003-December 2005 Director, Russian and Eurasian Program, Carnegie Endowment for International Peace, Washington, DC
- January 2006-April 2015, Senior Fellow, Peterson Institute for International Economics
- Chairman, Board of International Advisors, Bank of Finland Institute of Transition, 2009-present.
- May 2015-July 2021, Senior Fellow, Atlantic Council, Washington, DC
- January 2021-present, Senior Fellow, Stockholm Free World Forum
- March 2022-present, Member of the International Working Group on Russia Sanctions, Stanford University
- January 2023-present, Chairman, Economic Task Force of Friends of Ukraine Network, Washington, DC
- July 2023-present, Member of the Scientific Council of Swedish International Development Agency (SIDA)

## CORPORATE WORK

### **Corporate Boards:**

- 2001-2003 Non-executive director, Vostok Energo
- 2002-2006 Non-executive director, Vostok Nafta
- 2002-present Member of the Global Economic Advisory Council, East Capital
- 2011-13 Member of the International Advisory Board, Ergo Hestia, Gdynia, Poland
- January 2016-August 2020 Non-executive director, Bank Credit Dnepr, Ukraine
- June 2018-September 2020 Non-executive director, Ukrzaliznytsia (the Ukrainian state railways), Ukraine

### **Consultancies**

- Spoken to the supervisory boards of Goldman Sachs, ADM, Caterpillar, Monsanto, Allied Irish Bank, SEB, Svenska Handelsbanken, Tetra Pak, and Volvo
- Retainers with: Open Society Institute (Ukraine), Brunswick Warburg (Moscow), World Bank, UNDP (Kyrgyzstan and Ukraine), United Financial Group (Moscow), Bombardier, Fiat, Moore Capital, Swedbank, and ADM,

- Repeated consultancies: JP Morgan, Zurich Financial Services, Merrill Lynch, Citigroup, Accenture, Scania, Nestlé, SKF, AGA, Transnational Research Corporation, GLG.

### AWARDS

- 1991 The Golden Sign of the Order of Merit of the Republic of Poland (awarded by President Lech Walesa)
- 1992 Member of the Academy of the Natural Sciences of the Russian Federation
- 1993 Honorary Member of the Academy of Economic Sciences and Entrepreneurship of Russia
- 1999 Honorary Professor of the Kyrgyz National University
- 2001 Member of the Cosmos Club
- Member of the American Economic Association
- 2008 Leontieff Award, The Leontieff Centre, St. Petersburg
- 2013 The Cross of Recognition of the Fourth Class for distinguished contribution in strengthening the international reputation of Latvia, most notably by renewing trust of financial markets in the sovereign of Latvia (awarded by President Andris Berzins)
- 2019 Member of the Council on Foreign Relations

### LANGUAGES

- Native language: Swedish
- Proficient in English, German, Russian, Polish and French

### PUBLICATIONS

#### Author of 16 Books

- *Private Enterprise in Eastern Europe. The Non-Agricultural Private Sector in Poland and the GDR, 1945-83*, Macmillan, London, 1985, 294 pp.
- *Gorbachev's Struggle for Economic Reform*, Pinter, London, and Cornell University Press, Ithaca, 1989, 219 pp. 1991; 2nd ed., Pinter, London, and Cornell University Press, Ithaca, 1991, 262 pp.
- *Post-Communist Economic Revolutions: How Big a Bang?* The Center for Strategic and International Studies, Washington, DC, and Westview, 1992, 106 pp.
- *How Russia Became a Market Economy*, Brookings, Washington, DC, 1995, 368 pp.
- with Martha Brill Olcott and Sherman W. Garnett, *Getting It Wrong: Regional Cooperation and the Commonwealth of Independent States*, Carnegie Endowment for International Peace, Washington, D.C., 1999.
- *Building Capitalism: The Transformation of the Former Soviet Bloc*, Cambridge and New York: Cambridge University Press, 2002.
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- *Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed*, Washington, DC: Peterson Institute for International Economics, Washington, D.C., 2007, 356 pp.
- *How Ukraine Became a Market Economy and Democracy*, Peterson Institute for International Economics, Washington, D.C., 2009
- With Andrew Kuchins, *The Russia Balance Sheet*, Peterson Institute for International Economics and the Center for Strategic and International Studies, Washington, D.C., 2009.
- *The Last Shall Be the First: The East European Financial Crisis, 2008-10*, Washington, DC: Peterson Institute for International Economics, 2010.
- With Valdis Dombrovskis, *How Latvia Came through the Financial Crisis*, Washington, DC: Peterson Institute for International Economics, 2011.
- *Ukraine: What Went Wrong and How to Fix It*, Washington, DC: Peterson Institute for International Economics, 2015.
- With Simeon Djankov, *Europe's Growth Challenge*, Oxford University Press, New York, January 2017.
- *Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy*, New Haven: Yale University Press, 2019.
- With Andrius Kubilius, *Reconstruction, Reform and EU Accession for Ukraine*, Stockholm: Free World, 2023.

#### **Editor of 16 Books**

- *Market Socialism or the Restoration of Capitalism?* Cambridge University Press, Cambridge, 1992.
- *The Post-Soviet Economy: Soviet and Western Perspectives*, Pinter, London, and St. Martin's, New York, 1992.
- with Richard Layard, eds., *The Change of Economic System in Russia*, Pinter, London, and St. Martin's, New York, 1993.
- *Economic Transformation in Russia*, Pinter, London, 1994.
- *Russian Economic Reform at Risk*, Pinter, London, 1995.
- with Mikhail Dmitriev, eds., *Sotsialnaya politika v period perekhoda k rynku: problemy i resheniya* (*Social Policy in the Transition to a Market Economy: Problems and Solutions*), Carnegie Endowment for International Peace, Moscow, 1996.
- *Russia's Transformation in the 1990s*, Pinter, London and Washington, 1998
- With Martha Brill Olcott, eds., *Russia after Communism*, Carnegie Endowment for International Peace, Washington, D.C., 1999
- With Georges de Ménil, eds., *Economic Reform in Ukraine: The Unfinished Agenda*, Armonk, New York: M.E. Sharpe, 2000
- with Tatyana Maleva, eds., *Ocherki o mirovoi ekonomike. Vydayushchiesya ekonomisty mira v Moskovskom Tsentre Carnegie. (Series of Lectures on Economics: Leading World Experts at the Carnegie Moscow Center)*, Moscow: Carnegie Moscow Center, 2003
- With Hannes Adomeit, eds., *Russia versus the United States and Europe – or “Strategic Triangle”?*, SWP, Stiftung für Wissenschaft und Politik, and Carnegie

Endowment for International Peace, Berlin, Washington, and Moscow, October 2005.

- With Michael McFaul, eds., *Revolution in Orange: the Origins of Ukraine's Democratic Breakthrough*, Washington, D.C.: Carnegie Endowment for International Peace, 2006
- With Marek Dabrowski, eds., *Europe After Enlargement*, New York: Cambridge University Press, 2007
- With Marek Dabrowski, eds., *Challenges of Globalization: Imbalances and Growth*, Washington, DC: Peterson Institute for International Economics, 2008
- With Sergei Guriev and Andrew Kuchins, eds., *Russia after the Global Economic Crisis*, Peterson Institute for International Economics and the Center for Strategic and International Studies, Washington, D.C., 2010
- With Simeon Djankov, eds., *The Great Rebirth: Lessons from the Victory of Capitalism over Communism*, Washington, DC: Peterson Institute for International Economics, 2014

Five of my books have sold more than 15,000 copies and my books have been translated into 12 languages

Academic articles: 86

Articles in books: 104

Articles in Other Serious Journals: 95

Policy briefs and working papers: 90

Book reviews: 51

Op. eds.: 962

Followers on Twitter: 48,100

Followers on Linked-in: 2,800

### **EDITORIAL TASKS**

Member of the Board of Overseers of the Project Syndicate of the Open Society Institute, 1995-2005.

Contributing Editor, Editor, and member of editorial board, *Eurasian Geography and Economics*, 1997-present

Associate Editor of the journal *Post-Soviet Affairs*, 2012-present, Member of the Editorial Board, 1992-2012

Member of the Editorial Board of *Journal of Comparative Economics*, 1994-1997

Member of the Editorial Board of *Monetary Studies* (Lithuania), 2008-present

Member of the Editorial Board of *Journal of Soviet and Post-Soviet Politics and Society*, 2015-present

Member of the International Advisory Board of the journal *Acta Oeconomica* (Budapest), 2002-present

Member of the Advisory Board of the *South-Eastern Europe Journal of Economics*, 2002-present

Member of the Advisory Board of *The Journal of Comparative Economic Studies* (Japan), 2009-present

Member of the Editorial Advisory Board of *Ukraine Quarterly*, 2018-present

**Exhibit B: Materials Considered**

1. In writing this report, I have started with the most obvious high-quality Western financial news sources: *Financial Times*, *Wall Street Journal* and *Forbes*. They have all excellent search engines. They are quite substantial when it comes to Suleiman Kerimov. They offer some but much less on Eduard Khudainatov.
2. The main sources of my report are Russian business newspapers. The best of them was *Vedomosti*, which started as a joint venture of *Wall Street Journal* and *Financial Times* in 1999 and stayed in foreign ownership until 2015. I would deem it as reliable as its two owners. The second-best Russian business newspaper is *Forbes*, which used to be owned by American Forbes, though it lost its independence in 2018. The best Russian-owned business newspaper is *Kommersant*, which lost its political independence in 2006, but it has remained quite accurate on business stories. A similar source is Russian Business Consulting (RBC). These business newspapers are focused on business deals and impressively detailed and well sourced. They rarely discuss private matters, such as lifestyle, dwellings or means of transportation. I also use the news agency Interfax. Fortunately, old articles – from 1994-2022 – are abundantly available, while sensitive personalities who have been sanctioned have cleansed their website later on. All these Russian sources have excellent search engines.
3. A third group of credible sources are a few independent media outlets of remarkably high quality: *Moscow Times*, *Novaya gazeta*, *Proekt*, *The Bell*, and *Organized Crime and Corruption Reporting Project*. All these sources are of such high quality that it is rare to find any mistakes or contradictions. Until recently, Western sources have paid little

attention to Mr. Khudainatov because of his limited significance, but American *Forbes* has written quite a bit.

4. In preparing this report, I have been provided with the pleadings in this case and documents received by the U.S. Department of Justice in civil discovery, notably 21 Bates-stamped financial documents on Mr. Khudainatov's incomes, as documented to the Russian tax authorities, for the years 2017-2022.
5. Through civil discovery, I have also received Deloitte assessments of Mr. Khudainatov's companies as well as the assessments by three separate Russian assessment companies
6. I have also done independent research into the Kerimov family, using news publications and other sources. Mr. Suleiman Kerimov is well known to the Western business media. *Financial Times* has published more than 100 articles with him and *Forbes* has published very substantial articles. Excellent Russian investigative journalists writing for *The Bell* and the *Organized Crime and Corruption Reporting Project* have also contributed well.
7. For the Gadzhiev family I have relied on Russian materials, mainly official biographies and registration, which are abundant in Russia. I have utilized the excellent Yandex search engine. The oldest brother, Nariman Gadzhiev, who has been sanctioned has apparently cleansed his web references. That is also true of the previously family-owned Polyus Gold, but there are plenty of indirect references. The second brother Ruslan Gadzhiev is a member of the State Duma and as such he must have an official web biography. The youngest sibling, Alisa Gadzhieva, Mr. Kerimov's niece appears on multiple official websites for business registration and legal issues.

8. With regard to yachts, plenty of public information is available, most of all from the yacht producing shipyards. Until Russian yachts were sanctioned in 2022, the transparency in this area was amazing.
9. The Russian internet is full of dubious sources. "Black PR", that is, slander, is very common in Russia. I have read some such materials, but I have not used them unless I have found a credible source that could verify them.
10. Below, please find the references that I have found of sufficient quality that I have used them. I may add that I know many of the authors.

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Bates numbers of the discovery documents for incomes:

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For 2018:  
EKMM0002455  
EKMM0002459  
EKMM0002457  
EKMM0012392  
EKMM0012391  
EKMM0012389

For 2019:  
EKMM0002467  
EKMM0002451  
EKMM0002453  
EKMM0012398  
EKMM0012394  
EKMM0012396

For 2020:  
EKMM0002487  
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EKMM0012400  
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For 2021:  
EKMM0002521  
EKMM0002486  
EKMM0002472  
EKMM0002476  
EKMM0002481  
EKMM0012408  
EKMM0012405  
EKMM0012407  
EKMM0012413  
EKMM0012415  
EKMM0012417

For 2022:  
EKMM0002539  
EKMM0002554

Deloitte assessments of the value of NNK  
EKMM0002382  
EKMM0002375  
EKMM0002378

EKMM0002380  
EKMM0002377  
EKMM0002381  
EKMM0002379  
EKMM0002376  
EKMM0002346  
EKMM0002348  
EKMM0002347

KEPT assessment  
EKMM0002383

Technology Trust assessment  
EKMM0002389

Business Solutions and Technologies assessment  
EKMM0002387

Gadzieva-related documents  
EKMM0015894  
EKMM0015893  
EKMM0009783  
EKMM0015887  
EKMM0015834

Other documents  
First Amended Complaint (ECF No. 37)  
Declaration of Eduard Khudainatov (ECF No. 126)  
Claimants' Second Amended Responses and Objections to Plaintiff's First Set of Interrogatories (June 21, 2024)

**Deloitte Tables of NNK Assets, 2015-2020**

(billion US dollars)

Date	Companies consolidated in Alliance Oil	Taimyrneftegaz & Saratov gasassets	Other Assets (approximate)	Total
30.06.2015	6.8	1.7	0.1	8.6
31.12.2015	6.6	1.5	0.1	8.2
30.06.2016	8	2.4	0.1	10.6
31.12.2016	8.3	2.6	0.1	11
30.06.2017	8	2.5	0.1	10.6
31.12.2017	7.7	6.2	0.1	14.1
11.10.2018	7.3	8.6	0.1	16
31.12.2018	6.8	10.2	0.1	17.1
30.06.2019	6.5	20.3	0.1	26.9
31.12.2019	6.5	22	0.1	28.6
30.06.2020	6.5	41.8	0.1	48.4

Sources: Deloitte statements from December 21, 2015 to October 6, 2020.

**Khudainatov's Income Declarations, 2017-2022**

<b>Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Incomes (RUR)</b>						
Neftegazholding/NNK	84342080	276158969	449915747	1501342944	1.2643E+11	
Coalstar		5647671	563250000		6900412000	
RazrezMayrykhsky		11860685				
NPF Evolution			52179880	62615856	62615856	
Taymyrneftegaz				5384		
Gazprombank	4165584926				191578944	
NNK-Razvitie						181578944
Meadows Gate						1992178100
Vostok Oil (Cyprus)						1.57385E+11
Alliance Oil						74844134
Apelda Investments						30151080090
RN-Razvedka I Dobycha	45094000000					
Total income RUR	45192082622	293667325	1065345627	6574132499	1.33331E+11	1.89608E+11
IRS Annual Average X rate RUR/\$1	57.845	69.68	64.687	72.299	73.686	69.896
<b>Total income in USD</b>	<b>\$ 781,261,693</b>	<b>\$ 4,214,514</b>	<b>\$ 16,469,238</b>	<b>\$ 90,929,785</b>	<b>\$ 1,809,446,636</b>	<b>\$ 2,712,721,932</b>

Sources: Mr. Khudainatov's Russian income declarations, 2017-2022; IRS official exchange rates, <https://www.irs.gov/individuals/international-taxpayers/yearly-average-currency-exchange-rates>